

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 ISO-00 EUR-12 EB-07 FRB-01 SIG-02 AID-05  
CEA-01 CIAE-00 COME-00 EA-09 INR-07 IO-13 NEA-10  
NSAE-00 USIA-15 OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01  
AGRE-00 OMB-01 PA-02 PRS-01 /102 R

DRAFTED BY TREAS:JMABBOTT:LAL

APPROVED BY EUR/RPE:ACALBRECHT

TREAS:FLWIDMAN

EUR/RPE:RSGELBARD

EB/IFD/OMA:CCUNDIFF

FRB:CSIEGMAN

-----120400Z 012394 /71

R 112258Z JAN 77

FM SECSTATE WASHDC

TO ALL OECD CAPITALS

UNCLAS STATE 006185

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: TREASURY-FRB STATEMENT ON STERLING BALANCES AND  
BIS PRESS COMMUNIQUE

1. THE FOLLOWING IS COMPLETE TEXT OF TREASURY-FRB PRESS  
STATEMENT ON STERLING BALANCE AGREEMENT.

1A. "THE TREASURY DEPARTMENT AND FEDERAL RESERVE TODAY  
ANNOUNCED THAT THE U.S. WILL PARTICIPATE IN THE ARRANGE-  
MENTS AGREED IN PRINCIPLE AT BASEL FOR A MEDIUM-TERM  
FACILITY IN THE AMOUNT OF 3 BILLION DOLLARS RELATING TO  
OFFICIAL STERLING BALANCES. THE U.S. PARTICIPATION IN THIS  
STANDBY FACILITY WILL BE IN THE AMOUNT OF 1 BILLION  
DOLLARS. IT WILL BE PROVIDED THROUGH THE FEDERAL RESERVE  
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SYSTEM AND THE U.S. TREASURY EXCHANGE STABILIZATION FUND.

2. THE PURPOSE OF THESE ARRANGEMENTS IS TO REINFORCE  
THE INTERNATIONAL MONETARY SYSTEM BY HELPING THE U.K.  
ACHIEVE AN ORDERLY REDUCTION IN THE RESERVE CURRENCY ROLE  
OF STERLING AND IN THIS CONNECTION TO FACILITATE THE FUND-  
ING OF A PORTION OF BRITAIN'S EXTERNAL LIABILITIES. THE

BIS WILL COOPERATE IN THE ARRANGEMENTS AND THE MANAGING DIRECTOR OF THE IMF IS BEING ASKED TO ASSIST IN THEIR

IMPLEMENTATION. THESE STERLING BALANCE ARRANGEMENTS WILL REINFORCE THE ECONOMIC PROGRAM UNDERTAKEN BY THE U.K. IN CONNECTION WITH THE 3.9 BILLION DOLLAR STAND-BY AGREED WITH THE IMF ON JANUARY 3, 1977. A COPY OF THE PRESS ANNOUNCEMENT MADE BY THE CENTRAL BANK GROUP IN BASEL IS ATTACHED."

3. FULL TEXT OF BIS PRESS COMMUNIQUE IS: "DISCUSSIONS HAVE RECENTLY BEEN TAKING PLACE BETWEEN THE UNITED KINGDOM AND THE OTHER GROUP OF TEN COUNTRIES AND SWITZERLAND ON THE SUBJECT OF STERLING BALANCES. THESE DISCUSSIONS FOLLOW THE SUCCESSFUL CONCLUSION OF THE UNITED KINGDOM'S APPLICATION TO THE INTERNATIONAL MONETARY FUND AND WERE PROMPTED BY A SHARED DETERMINATION TO MAKE A JOINT CONTRIBUTION TO GREATER INTERNATIONAL MONETARY STABILITY.

4. FLUCTUATIONS IN THE OFFICIAL STERLING BALANCES HAVE AT TIMES IN THE PAST BEEN DISRUPTIVE TO THE UNITED KINGDOM'S ECONOMIC POLICIES AND TO THE INTERNATIONAL MONETARY SYSTEM. THE AIM IN THE DISCUSSIONS HAS THEREFORE BEEN TO PREVENT SUCH INSTABILITY IN THE FUTURE. IN THESE CIRCUMSTANCES, THERE WAS GENERAL WELCOME TO THE UNITED KINGDOM'S DECLARED POLICY TO ACHIEVE AN ORDERLY REDUCTION IN THE RESERVE CURRENCY ROLE OF STERLING. TO SUPPORT THESE AIMS, AGREEMENT IN PRINCIPLE HAS BEEN REACHED BY GOVERNORS OF THE CENTRAL BANKS CONCERNED, ON A MEDIUM-TERM

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FINANCING FACILITY IN THE AMOUNT OF 3 BILLION DOLLARS RELATED TO THE OFFICIAL STERLING BALANCES, WHICH AT END-SEPTEMBER WERE VALUED AT 3.8 BILLION DOLLARS. THIS STAND-BY FACILITY WILL BE PROVIDED TO THE BANK OF ENGLAND BY THE BIS, BACKED UP BY THE PARTICIPATING COUNTRIES. THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND IS BEING REQUESTED TO ASSIST IN THE IMPLEMENTATION OF THE AGREEMENT.

5. THE PARTICIPATING COUNTRIES ARE BELGIUM, CANADA, GERMANY, JAPAN, THE NETHERLANDS, SWEDEN, SWITZERLAND AND THE UNITED STATES OF AMERICA. OTHER COUNTRIES MAY WISH TO PARTICIPATE LATER.

6. AS PART OF THE OPERATION THE UNITED KINGDOM INTENDS TO OFFER SECURITIES IN THE FORM OF FOREIGN CURRENCY BONDS TO PRESENT OFFICIAL STERLING HOLDERS."

ROBINSON

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## Message Attributes

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**Channel Indicators:** n/a  
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**Status:** NATIVE  
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**TAGS:** EFIN, UK  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009